



## Staff Report

**TO:** Board of Harbor Commissioners

**FROM:** Steve McGrath, General Manager

**DATE:** October 18, 2017

**SUBJECT:** Administrative Headquarters, District Owned Facility

**Recommendation/Motion:**

Staff recommends that this Commission review the options both in broad categories and specific locations, and provide direction to staff on next steps.

**Policy Implications:**

The District's long standing desire for ownership of a building is clear.

**Fiscal Implications/Budget Status:**

The District currently has a committed reserve for a District office of \$1,526,217.

The District currently rents space at an annual cost of \$91,200.

Debt financing to complete a purchased or construction would cost approximately \$6,000 annually for every \$100,000 of debt.

**Background:**

**Recent history:**

2005: Bid of \$1.9 million for new building across from Harbormasters' office rejected

2007: Consideration was given to development of a site at Oyster Point Marina and a Request for Proposals (RFP) was issued to prepare tentative and final parcel maps. Since that time, the City of South San Francisco (SSF) prepared a Precise Plan for the area, completed an Environmental Impact Report (EIR), executed a Disposition and Development Agreement (DDA) with the District lessee at the time, Oyster Point

Ventures (OPV). Concurrently, in 2011, the District and SSF executed an MOU regarding the implementation of the DDA.

2009: The District was pursuing two possible sites in Princeton, on Avenue Portola and Princeton Avenue. Neither site is currently available for sale, and staff is not aware of any other property in Princeton currently on the market.

2011: Consideration was given to possible sites:

Pillar Point: 1) Perched Beach; 2) Adjacent to or replacement of District maintenance building; 3) C parking lot; 4) B parking lot; 5) Lessee building second floor; 6) Harbor Office second floor/expansion;

Princeton: 7) vacant parcel; 8) rebuilt pier;

El Granada: 9) on the District owned Post Office lot.

Public meeting(s) were held, with public opposition to the location of a building on Perched Beach; it was at a meeting in October of 2011 that a portion of B Lot be considered.

2012: The District moved forward with preliminary planning for development of a new building, on the 'B Lot' at Pillar Point Harbor. The District commissioned a massing study, and in April authorized issuance of an RFP for architectural services. The RFP was not issued. This option is discussed in further detail below.

2015: The District considered purchase of the El Granada building in which Administration offices are currently located.

2015: The District moved from South San Francisco to El Granada in leased space at an initial cost of \$7,000 p.m.

Relieving the District of the burden of lease payments, and securing a permanent home for the District are clearly long held goals of this District.

### **Strategic Plan:**

In the normal course of events, a Strategic Plan (SP) would be followed by site specific Master Plans (MP), for both Pillar Point Harbor and Oyster Point Marina. The SP might state that the District vision is to own its own administrative office building on the coastside, or within pillar point harbor, or in some other location. The MP might then say that the District goal is to develop a site above tenant row, in B Lot, on Avenue Alhambra.

Staff recognizes this but also recognizes that the District has had many false starts on this project, that projects have long lead times, that the District continues to pay in excess of \$90,000 p.a. in rent, and that the lease will require re-negotiation beginning in late 2020, or early 2021, approximately three years from now.

## **Bay or Coastside?**

### **Bay:**

Options are clearly limited to an increasingly limited portion of Oyster Point Marina, as development moves forward and the District's future role is yet to be determined. Additionally, any available space at OPM should ideally be directed to visitor serving and /or marine related commercial uses to support the marina operation.

Between the pending development, the removal of lands from the District's control, a long-term lease with the Oyster Point Yacht Club, and constraints placed on a parking area by a grant from the Division of Boating and Waterways to build a boat ramp and the parking lot, there is comparatively little space to develop District administrative offices.

Staff does not recommend this option.

### **Coastside:**

The District was initially formed as a coastside entity, and, until 1977, only operated Pillar Point Harbor. The District owns real estate at Pillar Point, and is the recipient of a state tidelands grant (1960) for waters from Pillar Point to the southerly end of Mirada Road in Half Moon Bay. **See Attachment 1.**

Staff recommends the focus for development of a permanent home be on the coastside, as detailed below.

### **Options:**

Staff has begun a preliminary review of options for this Commission to consider:

- 1 504 Avenue Alhambra, El Granada
- 2 Fire Station
- 3 Empty parcel, adjacent to Sam's Chowder house
- 4 B Lot, Pillar Point Harbor

Two of these options require all new construction (more design flexibility, more time); two are existing buildings (one requires no time, one will require significant work, both somewhat limit design flexibility).

There are of course always other options that may be currently available or will be available in the future, but for purposes of discussion, staff has limited this discussion to the four above. Staff will continue to explore other options until such time as a final decision is made.

The four options presented fall into two main categories: existing structures outside the harbor, and new construction inside the harbor.

Should this Commission select a building outside the harbor from the options presented, staff will pursue that option, but may also bring other similar options for further review until a final decision is made.

Should this Commission select a new construction option, staff will stop looking for existing buildings, and focus attention as directed.

With the exception of the possible purchase of the Avenue Alhambra location, staff will be returning to this Commission for direction on lease negotiations for the current site three years from now.

1      504 Avenue Alhambra, El Granada

This is the District's current administrative base, and is not currently for sale. The initial term of the lease ends on May 31, 2018, and has three one year options to extend, with the last one expiring May 31, 2021, by which time the monthly rent will be \$8,500 per month, or \$102,000 for the last year. Should the District wish to continue leasing the facility past May 31, 2021, negotiations should begin early enough to provide certainty for the District of its ability to complete the negotiation, or find alternative space.

The District has been renting approximately 3,400 enclosed square feet since May 2015. Current rent is \$7,600 per month, or \$91,200 annually. The building has multiple tenants, and at this point the District has no way of knowing total annual rent.

In 2013, the then owner was in default on a loan, and the District negotiated a purchase agreement that was never approved by the full Board and the property was sold in a trustee sale for approximately \$1.3 million. Subsequently, the District negotiated a lease, and wanted to include a purchase option, but the owner was unwilling.

The building has deferred maintenance, the extent of which would only be revealed by a very thorough property inspection, which has not been recently conducted.

Staff has been working with an architect recently on some basic improvements that will facilitate Board meetings and improve staff work flow and communication.

Regardless of any direction from this Commission on a permanent home, and absent specific direction otherwise, staff will notify Working Dirt (the property management company) of our intent to exercise the option to renew the lease for one year. (The lease cannot be renewed simultaneously for all three options).

<b>PRO:</b>	<b>CON:</b>
No relocation costs	Deferred maintenance
No impact on PPH	No presence at PPH

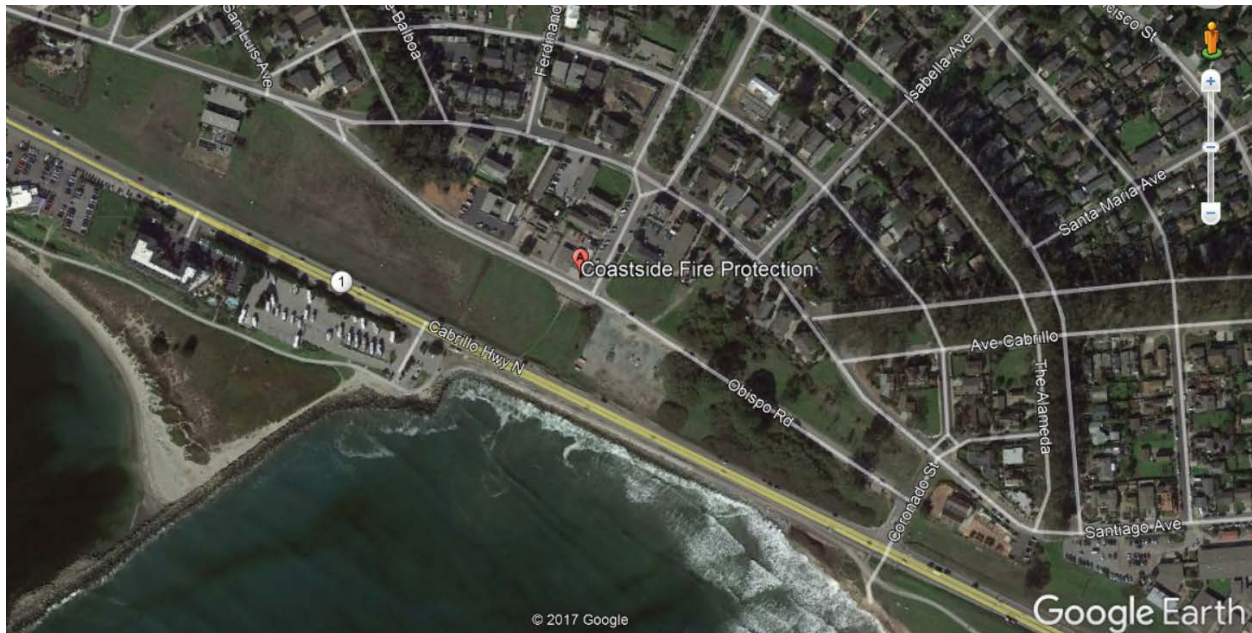
Strategic Plan implications: This option has the least impact on PPH, allowing more options in the development of the SP and subsequent MP. However, if this Commission believes that the SP may envision permanent District administrative space within PPH, this option should not be pursued.

Next steps: If this Commission wishes to pursue this option, staff will determine the best avenue to determine any interest on the part of the owner, and, if so, to gather data on current leases, property condition, possible valuation etc. prior to returning to this Commission for further direction.

## 2 Fire Station

The Coastside Fire Protection District (FD) is scheduled to break ground on their new fire station on Obispo Road, El Granada, in May of 2018. Construction is expected to take fourteen months. Subsequent to the completion of the building, the existing Fire Station in El Granada will become available. Additionally, the parcel on which the new station will be built is being subdivided, and a portion of the existing site will also be available to be developed.

The existing building was probably constructed in the late '50s, and has a building area of 3,550 s.f. on a parcel size of ca. 12,500 s.f. or 0.287 acres.





The cost of renovation will be high, as the building was not designed for the proposed use, and would need to be completely gutted. Alternatively, the building could be razed and a new building constructed in its place. An appraisal in 2009 states “It appears to be adequately maintained...It could be adapted to an alternate use...It has a limited number of useful years remaining.” The building is somewhat removed from the Harbor, further than the current office space. Staff does not recommend this option.

PRO:	CON:
Site infrastructure in place	Site constraints
No impact on PPH	No presence at PPH

Strategic Plan implications: Same as for 504 Avenue Alhambra.

Next steps: If this Commission wishes to pursue this option, staff will commence discussions with the Fire District during 2018, and return to this Commission for additional direction as necessary.

3 B Lot, Pillar Point Harbor

In 2012, the District commissioned and then approved a site study for a 2 story building for office and meeting/assembly space in the B Lot (immediately behind the tenants’ building) at Pillar Point Harbor. See Attachment 2. The ‘ground floor’ comprised 3,341 s.f. for general assembly and 2,095 s.f. of office. Another 2,738 s.f. were shown on the first floor. This is sufficient for District needs. In April 2012, this Commission authorized staff to issue a Request for Proposals for architectural services for the design of a building.



There will be impacts on parking, but this may be mitigated by addressing parking harbor-wide, and developing more efficient use of existing parking space.

Additionally, a close review of this site may present other options, to be developed during stakeholder meetings and additional design work, that might include developing a phased approach to redevelopment of 'Tenant Row', redevelopment and expansion of the Harbormaster's office, or other opportunities yet to be identified.

Strategic Plan implications: This site is already owned by the District, some preliminary work has been done, but this Commission may choose to wait until a Master Plan for the entire harbor is completed. Of the four options presented in this report, this option has the most potential for impacts on the SP and subsequent MP process.

Next steps: If this Commission wishes to pursue this option, staff will work to determine parking and other impacts, phasing and other options, with possible mitigations, and use that information during the SP process prior to returning to this Commission for further direction.

<b>PRO:</b>	<b>CON:</b>
No land acquisition	Impact on PPH - parking
Presence at PPH	Highest and best use?
Some site planning completed	Impacts on Strategic/Master Plan effort
Design freedom	

- 4 Empty parcel adjacent to Sam's Chowder House (11840 Cabrillo Highway, El Granada)

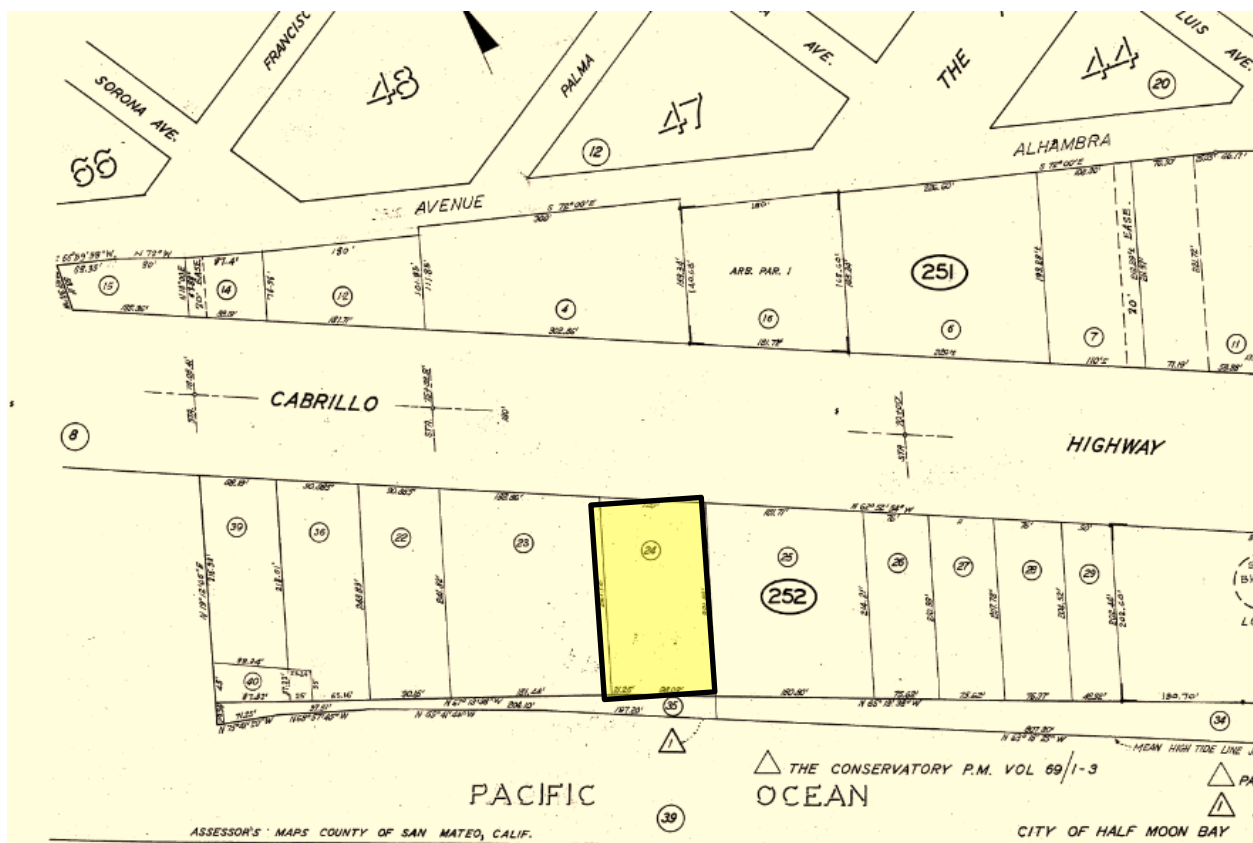
This parcel is approximately 27,000 s.f. (0.62 acre), zoned CCR (Coastside Commercial Recreational) and is currently for sale for \$1,000,000.



The zoning is suitable for District office and meeting/community room. The land is elevated above Highway One, but has been graded to slope towards the trail on the south side, allowing for potential construction to have little impact on viewshed from the road.

The south side of the parcel terminates at the Coastal Trail just east of the boat launch at the northern edge of a District owned parcel.

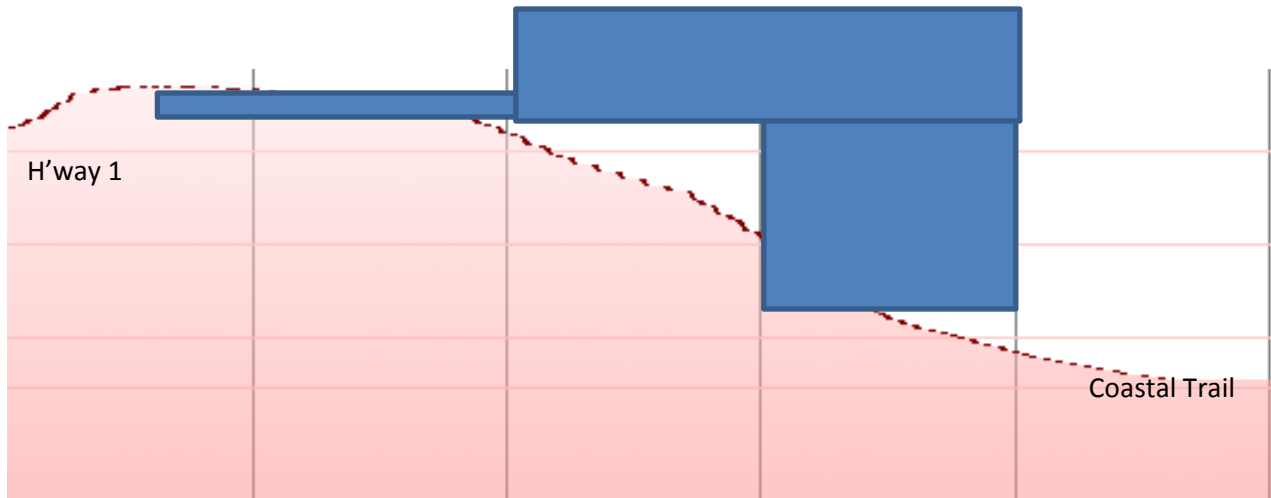




The site grade is such that preliminary investigation suggests that with parking nearest to Highway 1, a single story building that increases to 2 story at the south end nearest the trail would be sufficient to accommodate District uses, plus a meeting room/community space.

Depending on further site review, there may be an opportunity to relieve some parking pressure on the coastal side of Highway 1. With spaces reserved for staff during normal work hours, the option for weekend public parking may be possible.

The possibility of community meeting space and public parking creates an opportunity for grant funding to assist with the development of the project.



<b>PRO:</b>	<b>CON:</b>
Design freedom	Land cost
No impact on core PPH	No presence at core PPH
Presence at PPH	Design, permitting, review lead time

Strategic Plan implications: This site may offer the greatest flexibility in moving forward with the development of permanent District space while not impacting the development of the strategic and subsequent Master Plan.

Next steps: If this Commission wishes to pursue this option, staff will work to determine parking and other impacts, with possible mitigations, and use that information during the SP process prior to returning to this Commission for further direction.

Decisions for this Commission to consider

- 1 Is permanent ownership of District office space desired?
  - a. If yes, should this discussion wait for completion of the Strategic Plan and subsequent Pillar Point Master Plan?
    - i. If yes, this Commission will need to direct staff on lease negotiations no later than June of 2020.
    - ii. If no, can occupancy be accomplished by May 31, 2021 (expiration of final lease option on Avenue Alhambra)?

Existing buildings:

1. Option 1: Yes, if 504 Alhambra is available and agreement can be reached.

2. Option 2, Fire Station: possibly. New building needs to be constructed for the Fire District, plans developed and remodel of existing building completed. The District is dependent on others completing their project for the District to be successful.

New construction:

3. Option 3, B Lot: possibly but unlikely. There will be no property purchase to complete, and some of the very preliminary site work and building layout has been completed.
4. Option 4, empty lot: possibly but unlikely. Lot purchase; facility programming (public, Commission and staff); design and engineering; permits, construction.

2 Is permanent ownership of District office space desired?

- a. If no, this Commission will need to direct staff on lease negotiations no later than June of 2020. Staff will simultaneously review other lease space options as may be available.

**Summary/recommendation:**

Staff has presented four options; there are others. Staff recommends that this Commission provide staff with broad direction (“find a site to build a new building”; “find a building to buy”) or specific direction (“buy and build next to Sam’s”; determine availability of this building”). Staff believes that for the long term, new construction is preferable over existing (design flexibility; environmental considerations and LEED certification), and that the lot adjacent to Sam’s is well situated, not in the core, but within the harbor.

**Attachments:**

1. [1960 State Tideline Grant](#)
2. [2012 PPH Site Plan: Existing Parking Lot B Plan – A1  
Proposed Massing Plan – A2](#)